MAY - 7 1996

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	

REPLY COMMENTS OF SPRINT CORPORATION

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SPRINT CORPORATION

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In these Reply Comments, Sprint reiterates its position on Sprint's Universal Service plan. Sprint's plan, as submitted, presents the framework necessary to meet these Congressional directives for universal service mechanisms set forth in the Telecommunications Act of 1996 ("TCA"). However, Sprint agrees that one modification to its plan is needed for the plan to be truly competitively neutral as demanded by the TCA.

Sprint's plan called for all interstate telecommunication service providers to contribute to the universal service fund based on total company telecommunications revenues net of payments to intermediaries. Sprint acknowledges that a more appropriate funding mechanism is the explicit surcharge on all end user's bills applied to all telecommunications services, both interstate and intrastate.

Sprint replies to various BCM enhancements suggested by AT&T. These enhancements are already underway and the Joint Sponsors hope to have the enhancements completed by July 1996.

Sprint also replies to the criticisms aimed at the BCM, including SWBT's and BellSouth's criticism that the BCM does not use actual costs of incumbent LECs. These parties are right that the BCM does not use actual costs and in these Replies Sprint demonstrates why actual costs would be inappropriate and

inconsistent with the TCA's requirements for competitive neutrality. Sprint also refutes those critics who fault the BCM for using Census Block Groups instead of existing study areas or wire centers.

Finally, Sprint again urges the Commission to eliminate the CCLC.

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Sprint Corporation ("Sprint"), on behalf of the Sprint Local Telephone companies and Sprint Communications Company L.P., replies to Comments submitted in response to the Commission's March 8, 1996 Notice of Proposed Rulemaking and Order Establishing Joint Board ("NPRM").

I. INTRODUCTION

The Commission issued this NPRM to implement, in part, the directives set out in Section 101 of the Telecommunications Act of 1996 regarding universal service.[1] In its Comments, Sprint submitted its Universal Service plan which, if adopted, will establish the framework necessary to meet these Congressional directives. Under Sprint's plan, only basic residential telephone service would be subsidized initially. The federal subsidy amount would be set at the difference between a federal benchmark price of basic service and the economic cost to provide

1. Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56 (1996) (the "TCA") adding new Section 254 to the Communications Act of 1934, codified at 47 U.S.C. Section 254 (hereinafter "Section 254").

such basic service. The subsidy would be available only to those customers in areas where the economic cost of providing the supported services is higher than a Commission established federal benchmark affordable price. Economic costs would be determined using the Benchmark Cost Model (the "BCM") previously submitted to the Commission by the Joint Sponsors.[2] The federal benchmark affordable price would be based on the national average rate for basic residential telecommunications service in urban areas.

Sprint's plan calls for all interstate telecommunication service providers to contribute to such subsidies in a competitively neutral manner through a uniform, end user surcharge on all telecommunications services.[3] The subsidy would be portable, that is, available to any eligible carrier providing service to the consumer. Collection and distribution of subsidies would be performed by an independent, neutral administrator.

Where actual exchange service prices are below the federal benchmark affordable price, Sprint's plan leaves it to the State to be responsible for resolving any shortfall created by the difference between the federal benchmark affordable price and the

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2. MCI Communications, Inc., NYNEX Corporation, Sprint/United Management Company and US West, Inc. (the "Joint Sponsors") submitted the Benchmark Costing Model: A Joint Submission, Copyright 1995, CC Docket No. 80-286, (Dec. 1, 1995). See, NPRM at para. 31

3. This contribution mechanism represents a change to Sprint's plan as originally submitted. This change is explained in Section II.

rate the State allows carriers to charge for the supported services. Providers should be allowed to rebalance rates to bring exchange prices in line with the federal benchmark affordable price standard.

In situations where States do not completely rebalance prices, and during any transition to cost-based prices, the States could adopt explicit, predictable, competitively neutral support mechanisms consistent with the rules adopted by the Commission for the federal plan, but limited to intrastate revenues. Through rate rebalancing, or under a State support mechanism, as the implicit subsidies are decreased, exchange prices would be increased.

Finally, in order to create an explicit, competitively neutral subsidy system, Sprint's plan calls for the elimination of the Carrier Common Line ("CCL") charge and existing implicit subsidies with these losses being made up by bringing other charges, such as the Subscriber Line Charge ("SLC"), to cost.

II. CONTRIBUTIONS TO THE FUND SHOULD BE THROUGH AN EXPLICIT END-USER SURCHARGE

Sprint believes that its plan presents an administratively simple and straightforward means to achieve the explicit and competitively neutral universal service plan demanded by the TCA. However, upon review of the comments, Sprint believes that one modification to its original plan is necessary in order to ensure a truly competitively neutral mechanism.

Sprint's plan, in part, provided:

> all interstate telecommunication service providers would contribute to such subsidies in a competitively neutral manner based on total company telecommunications revenues net of payments to intermediaries.[4]

However, in order to ensure competitive neutrality, Sprint believes the better mechanism is for all carriers offering jurisdictionally interstate services (including LECs that offer interstate exchange access) to recoup the subsidy from end users through a uniform surcharge on end user bills for all services - interstate and intrastate - that they take from the carrier. Thus, Sprint agrees with and adopts AT&T's position that:

> ... this be accomplished by a surcharge on the retail services of all telecommunications service providers, including IXCs, LECs, ALECs, wireless carriers, resellers, and anyone else providing telecommunications services.[5]

With such a surcharge all providers will make a fair and equitable contribution on exactly the same basis. Furthermore, the surcharge will be the same on the end user's bill regardless of the service provider thus further ensuring competitive neutrality. Additionally, such a surcharge furthers the TCA's call for explicit mechanisms. As AT&T stated:

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4. Sprint Comments at p. 4.

5. Comments of AT&T Corp., filed April 12, 1996 at p. 7. <u>See also</u>, Comments of US West, Inc., filed April 12, 1996 at p. 15 proposing that a "separate, identifiable item would appear on an end-user's bill for the USF cost recovery." (However, Sprint does not agree with US West's position that only interstate services should be surcharged.)

> In keeping with [Section] 254(e)'s requirement that all universal service support be "explicit," regulators must be able to easily identify the surcharge apart from the service provider's rates - - a procedure that will have the added benefit of enabling regulators to prevent the subsidy from spinning out of control in the future. NPRM, [para] 28.[6]

Under this proposal, it is also clear that the surcharge must not be limited to interstate services. To do so would exempt LEC participation in universal service support - an outcome that is inconsistent with competitive neutrality. Local carriers benefit just as much from universal service as long distance carriers. The ability to reach other subscribers in remote, high-cost regions enhances the value of the local service provider in low-cost urban areas. If LECs in such areas did not contribute their fair share toward universal service support, the federal support program could not be expected to fund the entire difference between the federal benchmark affordable price and the economic cost, and the funding would most heavily burden the states that can least afford it.

Rather, "[a] surcharge on all retail telecommunications services, both interstate and intrastate, creates a fair, simple, and efficient recovery mechanism."[7] While Section 254(d), 47 U.S.C. Section 254(d), limits contributions to the fund created by the Commission to interstate providers; it does not so limit the contribution mechanism. The basic services to be supported by the federal universal service fund established by the

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6. Id., at p. 9.

7. Id. at p. 8.

Commission are certainly not limited to interstate services, but to the contrary, are largely local in nature. Indeed, Section 254(e) provides that "[a] carrier that receives such [federal] support shall use that support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." The support must be used to support local - traditionally intrastate - services. There is, therefore, no basis in law to limit the federal funding mechanism to interstate services.

Rather, it is clear that the TCA envisions a new regulatory model for the telecommunications industry as a whole, with the Commission being the driver of national (not limited to interstate) policies that will foster competitive markets and create competitively neutral, explicit universal support subsidies. As the Commission recently stated in the Implementation of the Local Competition NPRM,

> These specific statutory directives [TCA] make clear that Congress intended the Commission to implement a pro-competitive, deregulatory, national policy framework envisioned by the 1996 Act. Given the forward-looking focus of the 1996 Act, the nationwide character of development and deployment of underlying telecommunications technology, and the nationwide nature of competitive markets and entry strategies in the dynamic telecommunications industry, we believe we should take a proactive role in implementing Congress's objectives.[8]

Just as the Commission must take a national view to

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8. In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, Notice of Proposed Rulemaking, FCC 96-182, released April 19, 1996 ("Implementation of Local Competition NPRM").

implementing the local competition provisions of the TCA, so should it take a national view toward universal service. One step in that process is to recognize that the federal universal support mechanism should be applied to all services - not just interstate. Furthermore, as noted in Sprint's comments, the States may be able to avoid the need for any State specific universal service fund by rebalancing rates and eliminating implicit intrastate subsidies. It is only if the States do not accomplish such rebalancing, that a State would need to supplement the universal support mechanism implemented by the Commission in this proceeding.

III. THE BCM SHOULD BE USED TO DETERMINE THE ECONOMIC COST OF PROVIDING BASIC RESIDENTIAL TELEPHONE SERVICE.

Sprint's plan calls for the use of the BCM to determine the economic cost of providing basic residential telephone service.[9] The BCM is a proxy model that uses current national local exchange network topology and current costs of designing and building a state of the art loop and switching network to serve subscribers out of existing incumbent LEC switching locations. Several parties either sought enhancements to the BCM or express criticism of the model. Sprint hereby replies.

A. AT&T

AT&T argues that Total Service Long Run Incremental cost ("TSLRIC") should be used to determine the cost of providing the

9. Sprint's Comments at p. 11.

essential services to be subsidized. AT&T states that:

> [a] proxy model employing methodologies similar to those used by the Benchmark Costing Model ("BCM"), with certain enhancements, could be used for this purpose.[10]

The BCM is currently being revised and the anticipated completion date is July 1, 1996. Several of these enhancements address AT&T's concerns.

AT&T suggests that the BCM's lack of business lines and multiple-line residences would under-size loop plant capacity and thus overstate unit cost.[11] Business lines are now being added to the BCM. Additionally, the ability to recognize multiple-line residences, by making lines per household an input variable, is being added.

Finally, AT&T suggests that the loop investment be broken into categories for applying company-specific expense factors based on ARMIS reports, and to compute capital carrying costs for the network investment.[12] While Sprint does not believe company specific factors should be used, expense factors are being established in the BCM for plant and non-plant and separate factors will be set for switching, circuit and outside plant.

B. SOUTHWESTERN BELL TELEPHONE COMPANY

Southwestern Bell Telephone Company ("SWBT") also objected to the BCM and attached a lengthy analysis of BCM's alleged

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10. Comments of AT&T Corp. at Appendix A, p. 1 of 2.

11. Id.

12. Id.

deficiencies to their Comments.[13] One of SWBT's primary complaints is that the BCM does not use incumbent carriers' "actual" costs.[14] SWBT is correct: the BCM intentionally does not use "actual" cost, nor should it.

Indeed, use of "actual" costs of an actual local exchange carrier would be contrary to the purposes of a universal service fund. Universal service support should be used to assist **subscribers** that need the assistance, not **providers**. The BCM, therefore, develops the cost of an efficient network for the purpose of determining a reasonable level of support which can be used to assist subscribers in high cost areas regardless of which provider the subscriber uses.

Costs to provide service to customers vary greatly between providers for many reasons; e.g., technology, engineering philosophy, discounts on material prices, management, efficiency. The use of accounting costs would provide no incentive for efficiency -- but rather just the opposite -- and would produce a condition where providers are not compensated equally for providing service to areas that are comparable based on distance, terrain and other common obstacles; in short, a system that is not competitively neutral.

In fact, what SWBT tries to characterize as a BCM weakness is actually a strength. The BCM is not designed to estimate

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13. Comments of Southwestern Bell Telephone Company, filed April 12, 1196, Attachment 5.

14. Comments of SWBT at p. 14. What SWBT is really arguing for is use of incumbent embedded costs.

costs for any particular company. It would be pointless to estimate company specific costs because the subsidy is not company specific. Rather, a BCM-based system can be applied across the entire nation and will treat all areas and providers equally -- on a competitively neutral footing.

SWBT further claims that the only way to test the validity of the BCM is to compare BCM results with actual network costs of existing providers.[15] SWBT performs such a "verification," and compares BCM results with actual USF data submitted to NECA and provides examples comparing the BCM to USF submitted data for SWBT's Texas service area. Not surprisingly, SWBT's "verification" reflects differences between the BCM and existing USF data. Sprint would be surprised if such differences did not exist.

The simple fact is that SWBT has missed the point. The BCM is not intended to replicate SWBT's, or any other incumbent's, network, SWBT's accounting costs, or even their economic costs. Rather, the BCM estimates an economic cost that is representative of the costs any facility-based competitive local service provider to a particular market will incur to serve customers in that market. This is the appropriate mechanism because costs to serve a particular market should not be based on the incumbent architecture, but on how the architecture would be designed and

15. SWBT makes the same mistake as NERA (See, section III.C below) in either ignoring the fact that there will be competitive, facilities based LECs and/or that these new entrants may not - indeed are unlikely to - design their facilities identical to those of the incumbent.

implemented if built new on a competitively neutral - as opposed to a legal monopoly - basis.

SWBT made a comparison of loop investments and costs from SWBT's wire center specific study to loop investments and costs derived from the BCM.[16] SWBT used Part 36 (47 CFR Part 36 of the Commission's Rules) separations methods to calculate fully distributed costs. BCM amounts were determined by summing the costs of all census blocks associated with a wire center. Sprint is not surprised that such comparison shows that fully distributed costs are somewhat higher than the results of using the BCM. If SWBT were to build its entire network with today's technology, it is quite possible that its investments would be very close to the investments developed by the BCM and thus more suitable for determining what is or is not a high cost area in this new market with emerging competition.

SWBT also compares their historical investment by wire center to the BCM investment by wire center and finds major differences.[17] Sprint concedes that the BCM does not attempt to reflect a particular company's accounting costs. It would be a mistake to try to do so. The BCM was not designed to reflect or even predict what accounting costs are or should be. Rather, the BCM correctly uses current engineering principles and the latest technology to determine proxy costs and to assist in determining which areas are truly high cost and whose residents are in need

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16. SWBT Comments at p. 15.

17. Id.

of assistance. Sprint believes that for such high cost assistance to be equitable and competitively neutral, it must be portable among providers of local service and therefore cannot be based upon the embedded, monopoly era costs of the incumbent LEC.

SWBT further objects to the BCM because incumbent LEC study area costs are more reliable than proxy costs.[18] The incumbent LEC's existing study area costs should have nothing to do with the development of the new universal service fund. As already noted, the TCA demands that this new fund be competitively neutral and any attempt to ignore new entrants and build a system upon embedded incumbent cost is inconsistent with the TCA and the emerging competition.

The use of the BCM as the standard for developing costs to serve subscribers ensures that costs and, therefore, the support payments to support subscribers in high cost areas, are the same for all eligible providers within each high cost geographical area -- not just for the incumbent LEC.

SWBT objects to the BCM's use of Census Block Groups ("CBGs") because CBGs are not consistent with LEC serving areas.[19] Costs to serve end user customers may vary greatly over an exchange or wire center or any other large geographic area due to terrain conditions and the distance an end user may live from the serving central office. Sprint believes that high cost support should be available to cover the cost of serving end users that

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18. Id. at p. 15-16.

19. Id. at Attachment 5, p. 29.

live in specifically defined areas where the cost to serve them is greater than what would be considered affordable and reasonably comparable to rates charged for similar services in urban areas. However, even in very small communities, there are some areas where the cost to serve subscribers are reasonable compared to urban areas, and there are other areas that have cost many times that of urban areas. Accordingly, determining support at the smaller CBG level better targets support to specifically defined high cost areas by eliminating some of the disparities in costs that can occur with a larger area. Additionally, the use of CBGs eliminates the implicit subsidy, inherent with a system where costs would be averaged throughout an entire exchange or wire center, of one group of subscribers by another.

SWBT complains that CBG boundaries are subject to change with each new Census to reflect population shifts. SWBT claims that relying on the Census, which is performed every ten years, will result in universal service support redistribution between areas and service providers.

It is true that CBGs may be added or changed due to population shifts, but all CBGs are not redrawn every ten years. Furthermore, the terrain characteristics of the areas where customers are located will not change. Furthermore, just as population shifts may cause some CBGs to be redrawn, the same is true for SWBT's costs. Subscriber changes regularly affect SWBT's accounting costs as do changes in investment, operations, and cost allocation practices. Subscriber changes also affect

SWBT's incremental cost studies, as do changes in technology, network design, assumptions, and study procedures. Sprint fails to understand why SWBT is concerned with subscriber-driven changes in CBGs, but not with subscriber-driven changes in SWBT's cost formula.

SWBT objects that the BCM was designed to serve CBGs from the closest central office which, in some instances, will not be the incumbent LEC's serving office. The BCM was designed to serve CBGs from the closest central office that, in some instances, will not be the incumbent LEC's serving office. However, this is appropriate because it is presumptuous to assume that new entrants to a market will likely position their switches in the same population areas as the incumbent's switches. The BCM establishes the cost and level of support for each subscriber in the CBG. It does not establish the provider to whom support is paid on behalf of that subscriber.

C. BellSouth (NERA)

BellSouth Corporation and BellSouth Telecommunications, Inc. submitted a report from NERA with their Comments.[20] NERA complains that the Joint Sponsors of the BCM are unable to agree on specific assumptions and parameter values for the BCM.[21] Sprint acknowledges that the Joint Sponsors do not agree. The Joint Sponsors use two sets of assumptions regarding capital

20. Comments on Universal Service by Kenneth Gordon and William E. Taylor, National Economic Research Associates ("NERA"), dated April 12, 1996.

21. Id. at p. 38.

carrying charges and expenses because they realize that, ultimately, the level of the costs used will be determined by the regulators and each of the Joint Sponsors is free to argue to the regulator their specific view of what the underlying cost is.

However, this does not in any sense detract from the fact that the Joint Sponsors agree as to the design and basic purpose of the model. The model is to develop costs that an efficient company would incur in building an efficient telecommunications network to serve residential and, with modifications, single line business customers. Surely even NERA would acknowledge that it is not uncommon for different parties to agree as to the formula and the category of inputs, while still disagreeing over assumptions used to determine the numbers to be used in the formula.

NERA further complains because the BCM does not depict the actual costs of an actual local exchange carrier.[22] As already explained in response to SWBT, NERA is correct -- the BCM does not and was not intended to depict the actual costs of an actual local exchange carrier.

NERA complains that the BCM uses a "scorched node" assumption.[23] The "scorched node" assumption utilizes an idealized model with efficient engineering and state-of-the-art technology. Thus NERA complains that little attention is paid or consideration given to real-world carriers.

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22. Id.

23. Id.

The BCM makes no attempt to guess which technology is or may actually be used in any service situation. The purpose of the modeling assumptions is to treat all carriers alike. No service provider should receive a competitive edge due to public support payments, and likewise, the public should not be required to provide support over an economic level just because a particular provider deployed more expensive technology or over-built its service area.

NERA also complains that optimization models like the BCM only provide the lower bound on incremental costs and ignore the real-world details (e.g., geographic distribution of customers, geography, climate, etc.) that cause actual incremental costs to exceed the models' estimates.[24] In response, Sprint points out that the major cost drivers in building telephone networks are distance and density. However, the BCM also considers such other factors as terrain and slope. Moreover, to reduce the errors that could result from a uniform distribution of customers in rural, low density CBGs, the BCM uses roads to locate customers in the CBGs.

Embedded cost studies are unacceptable in the context of determining universal service support in a competitive local exchange marketplace. They are based on total service area within a state. The costs for construction in high-cost areas, such as mountainous regions, are averaged with the costs to construct in low cost areas, thus resulting in an inaccurate

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24. Id. at pp. 38-40.

picture for both areas. The BCM, through its use of the small CBG,[25] provides a more accurate picture.

Finally, NERA complains that the use of the BCM is unreliable and points to recent BellSouth testimony in Kentucky that argued that 16 percent of the CBGs in Kentucky were incorrectly assigned by the BCM.[26] Sprint has already rebutted objections to the use of CBGs in response to the Comments of SWBT (Section II. B above) and need not burden the record by repeating that rebuttal here.

D. NATIONAL CABLE TELEVISION ASSOCIATION (ETI)

The National Cable Television Association ("NTCA") supports the use of the BCM, but submits a report from ETI listing several, of what ETI terms, "serious short comings that have the effect of substantially exaggerating the aggregate cost of basic local exchange service and of the universal service funding requirements."[27] Several of ETI's objections are either irrelevant or are already being addressed through revisions that the Joint Sponsors are making to the BCM. For instance, ETI suggests that the existing sources of universal service support are not in imminent jeopardy.[28] Obviously this point is mooted by

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25. Approximately 400 households.

26. NERA at p. 37.

27. Comments of the National Cable Television Association, Inc., filed April 12, 1996, Attachment A, THE COST OF UNIVERSAL SERVICE A Critical Assessment of the Benchmark Cost Model, Susan M. Baldwin and Lee L. Selwyn, April 1996, Economics and Technology, Inc. ("ETI") at p. iv.

28. *Id.*, at p. v.

the TCA and has no place in this proceeding. Likewise, ETI objects that the BCM does not address second lines and business lines.[29] As already pointed out in response to AT&T's suggested enhancements, the Joint Sponsors have acknowledged this issue and are already taking steps to address it.

ETI objects to the BCM because of its reliance on ARMIS depreciation data.[30] ETI states that the expenses for digital switches, distribution and feeder -- the very expenses necessary for the basic telephone service that should be supported -- need not be replaced for at least twenty years. Therefore, according to ETI, realistic depreciation lives should be used, not what is reflected in ARMIS. However, the depreciation rates have been set and approved by the regulator. This is not the proper proceeding to reargue or challenge those rates. Furthermore, ETI's suggestion that the switches, distribution and feeder will not be replaced for twenty years is an assumption not borne out by the technological advances occurring over time.

ETI objects that the fill factors for feeder and distribution incorporated in the BCM are too low and likely reflect the volatility associated with providing telecommunication services other than basic residential telephone service.[31] ETI proposes that the fill factors of 95% be used. Sprint agrees that fill factors may need to be reviewed and, in

29. Id., at p. vi.

30. Id., at p. 67.

31. Id., at p. 107.

fact, the revisions being made to the BCM will provide new fill factors as inputs to the model. However, ETI's suggested 95% fill factor is too high. It would leave only 5% available for spare capacity and that is simply not enough spare capacity to meet the needs of the future network.

ETI also objects to the use of CBGs in determining high cost areas and believes existing wire centers should be used instead.[32] ETI's objections are similar to those put forth by SWBT. Sprint will not burden the record by repeating its rebuttal of these objections here.

IV. THE CARRIER COMMON LINE CHARGE MUST BE ELIMINATED.

As Sprint stated in its Comments, "interstate rate rebalancing should move toward the elimination of the Carrier Common Line Charge (with an increased Subscriber Line Charge)"[33] Numerous parties agreed with Sprint.[34] For example, AT&T stated that:

> Because, as the Commission has acknowledged, the CCLC is inconsistent with the directives of the 1996 Act, the SLC should be raised to recover fully the subscriber loop portion, or base factor portion, of the interstate common line;....[35]

Likewise, Ameritech states:

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32. Id., at p. 95.

33. Sprint Comments at p. 20.

34. See also, Comments of Citizens Utilities Company, filed April 12, 1996 at p. 8,

35. AT&T Comments at p. 16.

> There is no longer serious debate over the fact that those portions of the carrier common line ("CCL") charge which recoup (a) long-term support and (b) interstate loop costs in excess of the subscriber line charge ("SLC") are subsidies. In fact, they are the very kind of implicit subsidies that are disfavored in the Act.[36]

However, the Washington Utilities and Transportation Commission ("WUTC") argues to the contrary, that:

> ... to the extent this charge [CCL] is related to the loop, the loop is a shared cost and should be recovered along with other shared and common costs through all rates on services utilizing the loop.[37]

The WUTC is in error, the loop is no longer a shared cost. Pursuant to 47 U.S.C. Section 251(c)(3), as added by the TCA, incumbent LECs must provide unbundled access to all network elements to any requesting telecommunications provider. The loop is such a network element and therefore can no longer be treated as a shared cost.

Obviously, the time for the elimination of the CCLC has arrived. The TCA and the record in this proceeding both make that clear. Sprint urges the Joint Board and the Commission to act to eliminate this obvious implicit subsidy.

V. CONCLUSION

Sprint urges the Joint Board to recommend and the Commission to adopt the Sprint proposal for universal service as explained above. Simply put, this proposal urges the Commission to adopt the BCM for purposes of determining the economic cost of basic

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36. Ameritech's Comments at p. 21.

37. Comments of WUTC, filed April 11, 1996 at p. 20.

residential telephone services, the services that would be supported. The Commission should determine a federal benchmark affordable price for such services. The federal subsidy would be available for those high cost areas i.e. CBGs where economic cost exceeds the federal benchmark affordable price. The State jurisdictions would be responsible for the difference between economic cost and actual rates charged to end users.

All interstate telecommunications service providers would pay into the Federal fund based on the amount recouped from a uniform surcharge applied to total (intrastate and interstate) telecommunications services billed to end users. Any eligible carrier providing the supported services at economic cost in a high cost CBG would be eligible to receive the portable subsidy.

Finally, the CCLC must be eliminated.

Respectfully submitted,

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